

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT ("Agreement") is effective as of the 13th day of February, 2003, and is entered into by and between Robert J. Pearson, ("Pearson"); Kathy Pearson ("Kathy Pearson"); Star of the Sea Corporation, now RKP Corporation, an Arkansas non-profit corporation ("RKP"); Star of the Sea, Inc., an Arkansas for-profit corporation ("SOS"); Village Home Builders, a division of SOS; White Rose Institute, Inc., a Hawaii non-profit corporation registered in Arkansas, formerly known as Pearson Institute ("White Rose"); Star of the Sea Respect Life Apostolate, Inc., an Arkansas non-profit corporation ("SOSRLA"); and John V. O'Brien ("O'Brien") (together, the "Pearson Entities"); the United States Department of Housing and Urban Development ("HUD"); and Jim Baker, Mary Baker, Chris Byrne, Cathy Byrne, Horace Cavileer, Santa Cavileer, Joseph Demaio, Patricia Demaio, Dwight Goodman, Jean Goodman, Matt Herres, Lori Herres, John L. Heuser, Shirley A. Heuser, James Hill, Julie Hill, Eugene L. Kubiak, Mary Rose Kubiak, Tim Oliverio, Elizabeth Oliverio, Richard Pellant, Geraldine M. Pellant, Ronald Reif, Suzanne Reif, Norman Rubel, Eugenie Rubel, Peter Sautner, Patricia Sautner, Alice C. Smith, Florence M. Thomas, and Janet Ware (together, the "Plaintiffs/Intervenors").

WHEREAS, on June 8, 2001, Plaintiffs/Intervenors filed a complaint in the Chancery Court of Sharp County, Arkansas (now the Circuit Court of Sharp County, Arkansas), Case No. E-2001-125 against Pearson, Kathy Pearson, and RKP asserting certain claims and seeking an injunction and the appointment of a receiver, and in which Pearson, Kathy Pearson, RKP, SOS, and White Rose filed a counterclaim (the "State Court Litigation");

WHEREAS, on or about November 1, 2001, HUD filed two federal administrative complaints against Pearson, RKP, SOS, White Rose, and O'Brien concerning the Star of the Sea Development located in Sharp County, Arkansas pursuant to the Interstate Land Sales Full Disclosure Act for the imposition of civil money penalties, Docket Nos. HUDALJ 01-01-ILS/CMP and HUDALF 01-02-ILS/CMP (the "HUD Proceeding");

WHEREAS, on February 20, 2002, Plaintiffs/Intervenors filed a Motion to Intervene in the HUD Proceeding and participated in the HUD proceedings; and,

WHEREAS, all parties, being uncertain as to the final outcome of their respective claims, for which they hereby deny liability, desire to enter into this Agreement in settlement of

all claims and counterclaims asserted in the State Court Litigation and the HUD Proceeding, as well as all claims between the parties, asserted or unasserted and which were raised or could have been raised or which were known or unknown at the Closing date of this Agreement, or in any way related to these actions, on the terms and conditions set forth herein.

NOW, THEREFORE, the parties agree that all of the above paragraphs and recitals are substantive and are a part of their agreement and that they intend to be legally bound by this entire agreement, and in consideration of the mutual covenants and other good and valuable consideration set forth herein, they have mutually and voluntarily agreed further, as follows:

Transfer of Assets

(a) Except for the items excluded in paragraph 2, the Pearson Entities agree to transfer, to the extent that any one or more of the Pearson Entities owns an interest in a particular asset, all of the assets listed below that existed as of the effective date of this Agreement (the "Transferred Assets"), more specifically described as follows:

(1) Real Estate. All interest and title to the real estate and improvements in Star of the Sea Development, Sharp County, Arkansas not previously conveyed, foreclosed, or agreed to be transferred or excluded under this Agreement, more specifically described in Exhibit "A", attached hereto (because of the complexity of preparing the legal description, a map with the anticipated property may be attached at the time of signing, with the final legal description to come when completed). "Star of the Sea Development" is defined as those contiguous or noncontiguous tracts of land purchased or held by the Pearson Entities for the purpose of subdivision into residential lots, whether recorded or not, and whether or not subdivided at the date of this Agreement, and collectively known and advertised as Star of the Sea Development, and any item of real property otherwise owned by the Pearson Entities on the effective date of this Agreement; RKP and SOS shall deed the property described above by Deed without warranty (but as may be required to convey all of their right, title, and interest). All other Pearson Entities shall execute a quitclaim deed to the same property. The parties acknowledge that the total acreage transferred pursuant to this paragraph is expected to be in excess of 300 acres.

(2) Accounts and Contracts Cash from any existing business or Development operating bank accounts, and all rights

and interests under any purchase orders, work orders and other contracts and commitments;

(3) Personal Property. All machinery, furniture, fixtures, equipment, vehicles, inventory of materials and supplies, and other personal property owned by the Pearson Entities (except those assets owned by Pearson, Kathy Pearson and John V. O'Brien as further described in 2(a) below), hereinafter referred to as (the "Personal Property") which are itemized in Exhibit "B", attached hereto;

(4) Receivables. All accounts receivable, notes receivable or other obligations, receivable or due (collectively, the "Accounts Receivable") and itemized in Exhibit "C", attached hereto;

(5) Business Records and Data. All business records, necessary to the operation and maintenance of the Transferred Assets including pertinent financial records, books and data in the possession of or currently used by the Pearson Entities in the operation of the Transferred Assets, including, without limitation, maps of Star of the Sea, customer files, mailing lists, advertising or promotional materials, telephone numbers, procedural manuals, any computer files relating to the Development, correspondence with customers, account histories or other material pertaining to the Transferred Assets, and any records or documents required for correcting any legal descriptions or access rights in any properties previously sold in Star of the Sea. Pearson shall retain for a period of three years from the Closing all documents and records pertaining to any facet of Star of the Sea which are not delivered to the Plaintiffs/Intervenors under this paragraph and shall make them available to the New Entity Corporation or to any individual property owner on a case by case basis as may be required under this Agreement or for a legitimate business purpose. Any records or documents so delivered shall remain confidential and not be subject to publication or further distribution, except as may be required by Court order or for purposes of clarifying real or personal property rights.

(6) Claims. All causes of action, vendor, supplier and similar claims, judgments and demands of whatever nature in favor of the Pearson Entities related to the Transferred Assets;

(7) Other items. All prepaid items and deferred items or credits or deposits, if any;

8) General Intangibles and Goodwill

All the intangible

assets, and goodwill associated with the Transferred Assets ("Intangibles");

(9) Manufacturer's Warranties and Guarantees of assets
All rights under any warranty or guarantee by any manufacturer supplier or other transferor of any of the Transferred Assets.

The Pearson Entities, subject to the approval of the Plaintiffs/Intervenors, agree to use their best efforts to prepare an itemized list of all other assets transferred pursuant to this paragraph which shall be attached to this Agreement as Exhibit "D". They further agree that immediately upon completion of each Exhibit listing the Transferred Assets in each respective category, a document transferring title to the Transferred Assets shall be drafted by Pearson or his attorney, executed, acknowledged, and delivered to the Escrow Agent set out below and held for delivery to the Plaintiffs/Intervenors or their nominee, upon completion of all actions required by all parties to this agreement (the "Closing"); ALL ITEMS OF PERSONAL PROPERTY TRANSFERRED PURSUANT TO THIS AGREEMENT ARE TRANSFERRED "AS IS", "WHERE IS", WITH ALL FAULTS AND WITHOUT ANY GUARANTY, WARRANTY OR OTHER INDEMNITY BEYOND THE APPLICABLE STANDARD TERMS AND CONDITIONS AS SPECIFICALLY AND EXPRESSLY STATED IN THE MANUFACTURER'S ORIGINAL GUARANTY, WARRANTY OR INDEMNITY.

The Plaintiffs/Intervenors agree to select one person who will approve and sign each Exhibit to indicate the approval of the Plaintiffs/Intervenors as a whole of the contents of the Exhibit (Designated Agent) and the signature of the Designated Agent on an Exhibit, or on an amendment to an exhibit for clarification purposes, such as an amended legal description, will constitute a binding acceptance of the Exhibit by the Plaintiffs/Intervenors for the purposes of this Agreement.

(b) The attorneys for the parties to this Agreement shall prepare and approve an Escrow Agreement, delineating the duties of all parties and of the Escrow Agent, to be attached hereto as Exhibit "E". The Escrow Agent shall be Sharp County Title Company of Sharp County, Arkansas (having recently acquired the interest of Spring River Title Company), unless the attorneys for the parties by mutual agreement select another Escrow Agent. The Escrow Agent and its attorney shall prepare all deeds of conveyance under this Agreement, with the assistance of the attorneys for the parties. The purpose of the Escrow Agent shall also be to collect and hold all documents necessary for the completion of the specific tasks assigned by this Agreement to the various parties to this Agreement as outlined in the

Escrow Agreement (the "Tasks"). When all said Tasks have been completed, the Escrow Agent shall deliver all documents for recording which require recordation, and shall submit all agreed orders to various courts or agencies, so as to simultaneously conclude all Tasks set out in this Agreement (the "Closing"). The Escrow Agreement shall provide that no conveyances of Assets are to be delivered or recorded unless and until all requirements delineated by the Settlement Agreement are completed. Delivery of a completed and executed conveyance document or other required document to the Escrow Agent, approved by the attorneys for the parties or by their Designated Agents, shall constitute completion of that Task for the delivering party, for purposes of this Agreement. Except for those requirements under this Agreement which are to be performed or are performable after the Closing (including, but not limited, to such requirements as the Pearsons' moving, the formation of the New Entity Corporation, or the dissolution of the Pearson Entities), in the event that either the Pearson Entities or the Plaintiffs/Intervenors fail or refuse to complete the requirements necessary for full performance of this Agreement within 60 days of the execution of this Agreement by the first party signing (the "60 Day Deadline"), the Escrow Agent shall return all documents to the party or parties executing the documents or to their attorney, and this Agreement shall be void, Ab Initio. Any requirement of this Agreement to be performed or performable after the Closing, which either party refuses or fails to accomplish shall not void the Agreement but shall be subject to the remedies provided under paragraph 10 (Enforcement) of this Agreement. The 60 Day Deadline may be extended by mutual agreement of the attorneys for the Pearson Entities, the Plaintiffs/Intervenors and HUD, with notice of said extension being delivered to the Escrow Agent.

2. Excluded assets.

The Pearson Entities and the Plaintiffs/Intervenors agree that the following items are specifically excluded from the Transferred Assets:

(a) All personal property not owned by the corporate Pearson Entities and in the possession of Pearson or Kathy Pearson on the effective date of this Agreement, including the personal property of Hi-Tech Housing, Inc. (based upon the representation that the stock certificates of Hi-Tech Housing, Inc. presented to Plaintiffs/Intervenors are true and correct and that they accurately evidence that none of the Pearson Entities are shareholders) and all personal and household items

owned or possessed by Pearson and Kathy Pearson, including but not limited to clothing, furniture, appliances, jewelry, religious articles and books, personal bank accounts, tools, patents (so long as they have not been assigned to one of the corporate Pearson Entities), and vehicles. The personal property of John O'Brien, as described above, shall also be excluded from transfer pursuant to this subsection.

(b) One hundred (100) acres of unencumbered, unimproved land located in the Star of the Sea Development (the "100 Acres"). The 100 Acres are more particularly described in Exhibit "F". A description by a sketch based on an existing acreage plat of Star of the Sea Development so delineated that a surveyor can survey a tract which will fulfill the intentions of the sketch, shall be sufficient for completion of Exhibit "F", provided that a surveyor has been retained to create a legal description suitable for conveyance and Pearson agrees to order and pay for said survey immediately upon approval of the description of the 100 Acres by the Plaintiffs/Intervenors. The surveyors' completed metes and bounds description of the 100 Acres shall be added as an addition to Exhibit "F" and used as a legal description, where appropriate, for all documents referring to the 100 Acres. Provided, however, that if any Transferred Acreage in the Star of the Sea Development is encumbered by any present pecuniary liability not disclosed to or known by the Plaintiffs/Intervenors or any contract is not assumed by Plaintiffs/Intervenors or the New Entity Corporation pursuant to subparagraph 2 (d), the encumbered acreage shall be included in the 100 Acres or paid off at or prior to Closing; provided further, that if there are real and personal property taxes (including penalties and interest and any other fees or expenses incurred should the property be certified to the State Land Commissioner) accrued or outstanding through the Date of Closing on the Transferred Assets, Pearson shall pay such taxes at or prior to Closing. Immediately upon completion of the surveyor's legal description for the 100 Acres, the Pearson Entities shall execute the deeds to 100 Acres to Pearson and Kathy Pearson and the 10 acre tract described in paragraph (c)(4) below to Saconas. Both deeds shall be delivered to the Escrow Agent for final delivery and recordation at the Closing pursuant to the terms of this Agreement.

(c) The following parcels of real estate previously transferred by the Pearson Entities, so long as they are evidenced by deeds that were executed, delivered and recorded prior to February 11, 2003:

- 1 Approximately two
- 2) acres transferred to Ms

Joan Ward;

(2) Approximately two (2) acres transferred to Ms Louise Saconas;

(3) Approximately two (2) acres transferred to Ms. Lois Nunnelly; and

(4) Approximately twenty (20) acres transferred to Edward Saconas on November 4, 2002; provided ;however, Edward Saconas has agreed that a second eleven (11) acre tract of land transferred from the Pearson Entities to him on May 9, 2002, more specifically described in Exhibit "G" shall be deeded by a deed without warranty (but as may be required to convey all of his right title and interest) to a trustee as selected by the Plaintiffs/Intervenors or to Plaintiffs/Intervenors' attorney as trustee for Plaintiffs/Intervenors if no trustee is selected at the time the deed is drafted and executed by Saconas. Prior to or contemporaneously with the execution of this Settlement Agreement Saconas shall deliver such deed to the Escrow Agent for further delivery to the Grantee at the Closing of the Settlement Agreement. The appropriate Pearson Entity or Entities, as soon as a legal description of the tract is provided, shall execute a deed without warranty (but as may be required to convey all of his right title and interest) conveying unencumbered title to Edward Saconas on a 10 acre tract adjacent to the tract acquired by Saconas November 4, 2002, selected by Saconas and described in Exhibit "H" as consideration for and in exchange for Saconas' eleven (11) acre tract acquired May 9, 2002. This ten (10) acre tract shall be excluded from the Transferred Assets. It is the intention of the Plaintiffs/Intervenors that the eleven (11) acre parcel shall be sold immediately after the Closing for the purpose of funding the organization of the New Entity Corporation and/or litigation expenses pursuant to paragraph 4.

(d) All contracts for the sale of land in the Star of the Sea Development not specifically assumed by the New Entity Corporation as follows: Prior to or contemporaneously with the execution of this Agreement, the Pearson Entities shall submit to the Plaintiffs/Intervenors a list of all contracts for the sale of land that have not been fully performed, listed herein as Exhibit "I", along with complete copies of all contracts and related documents; Plaintiffs/Intervenors shall have five (5) days from receipt of the documents to review these documents and decide which contracts, if any, the New Entity Corporation will

assume; all acreage encumbered by such contracts not assumed by the New Entity Corporation shall be included in the 100 Acres described in subparagraph 2 (b) and the description for the 100 Acres shall be altered accordingly in order to total 100 acres including those tracts not assumed by the Plaintiffs/Intervenors under this paragraph. The parties understand that there is one contract that will be subject to assumption, T. Williams.

The Pearson Entities and the Plaintiffs/Intervenors agree that the assets excluded in subparagraphs 2 (a) and (b) shall become the sole and exclusive property of Pearson and Kathy Pearson; provided, however, that, although the deed conveying the 100 Acres shall convey all the rights of a fee simple estate for subsequent grantees, the Pearsons' personal rights in the 100 Acres shall be limited to the right of sale which shall be exercised as soon as possible without a specific deadline, and they hereby specifically waive for themselves, but not for subsequent purchasers any other rights accruing to them via Star of the Sea membership by their ownership of the property.

3. Assumption of Liability.

The parties agree that the only Present Financial Liability of the Pearson Entities to be assumed by the New Entity Corporation shall be the \$3000.00 due to DeClerk Engineering. All other Financial Liabilities of the Pearson Entities are hereby specifically assumed by the Pearson Entities, unless otherwise provided in the Agreement. For purposes of this paragraph, the term "Financial Liability" shall exclude any liability or contractual pledge to build or make improvements to the Star of the Sea Development, including improvements to roads, well or water and sewer systems, buildings, dams and lakes, and utility systems; however, it is understood that neither the Pearson Entities or the Plaintiffs/Intervenors are specifically assuming liability for the obligations to make these improvements.

4 New Entity Corporation.

(a) The parties agree that the transfer of all Transferred Assets shall be made to a new non-profit entity created for the benefit of all property owners in Star of the Sea by the Plaintiffs/Intervenors ("New Entity Corporation") or to a trustee on behalf of the New Entity Corporation as described in subparagraph (b). Plaintiffs/Intervenors shall determine the organization, operation, structure, and initial board of directors of the New Entity Corporation who shall serve until an election is held by the full membership at or immediately

subsequent to the Initial Membership Meeting as described below. The Plaintiffs/Intervenors further agree as follows: (1) that the By-Laws of the New Entity shall include a provision that provides that its membership is open to all individuals who own property within the boundaries of the Star of the Sea Community and that each property owner shall have the right to participate in the New Entity, so long as they agree to follow its rules and regulations, (2) that thirty (30) days after completion of all of the actions set forth in subparagraph 4 (c), a notice shall be mailed to the last known address of each individual who owns property within the boundaries of the Star of the Sea Community informing them of the Initial Membership Meeting of the New Entity Corporation and their opportunity to participate, at which time the following issues shall be addressed: (a) the obligations and responsibilities of the New Entity Corporation, (b) the process of electing directors and officers, and (c) the election of officers; the notice shall include a summary of this Settlement Agreement and a copy of the Bylaws of the New Entity Corporation.

(b) If the Plaintiffs/Intervenors have not formed the New Entity Corporation prior to the date of completion of drafting of the documents conveying all or part of the Transferred Assets or the date of Closing, the Plaintiffs/Intervenors shall establish a trust or other entity having fiduciary powers and responsibilities to serve as an interim transferee of the Transferred Assets. The Pearson Entities may satisfy their requirement to convey the Transferred Assets by executing a conveyance or conveyances of said Assets to the said trustee, or to the Plaintiffs/Intervenors attorney as interim trustee, if a trustee has not been named, and delivering the conveyance, or other documentation required by this Agreement to the Escrow Agent for delivery to the Grantee and recordation at the Closing. If the Plaintiffs/Intervenors have determined the name of the entity and formed such entity prior to the Closing, Pearson Entities agree to modify their conveyances upon instruction from the Plaintiffs/Intervenor's attorney to reflect said entity as the Grantee of the Transferred Assets.

(c) The parties agree that, upon creation and prior to the Initial Membership Meeting, the New Entity Corporation shall have the power to take the following actions: (1) sell enough Transferred Assets to raise funds to cover costs of all actions authorized by this paragraph not covered by proceeds received from the sale of the 11 acre tract described in 2(c)(4) of this Agreement; (2) pay to or reimburse Plaintiffs/Intervenors all attorneys' fees and costs of litigation incurred by them in the

HUD Proceeding, the State Court Litigation, and the negotiation and preparation of this Agreement; (3) pay all reasonable and necessary legal and other expenses related to the organization of the New Entity Corporation; (4) correct the following problems which arose during the operation of the Star of the Sea Development: (a) install a gravel road to the property currently owned by Florence Thomas dedicated by Brierly and Saconas, (b) provide that there will never be a waste water treatment plant built in the vicinity of the duplex currently owned by the Janet Betinic Estate and Janet Ware without the permission of both of the then current owners, and provide that their property will always have access to the well-water supply that currently services their property, (c) dedicate a proper right of way on the property currently owned by Michael DeCoster.

5. Other Obligations of Pearson Entities

The Pearson Entities further agree as follows:

(a) On or before August 13, 2003, Pearson and Kathy Pearson shall move from the Star of the Sea Development and the immediate contiguous areas;

(b) Prior to August 13, 2003, Pearson and Kathy Pearson may continue to use the manufactured home in which they currently reside at no charge, subject to the permission of Union Planters Bank in Hardy, Arkansas, its owner;

(c) They shall not participate in the organizational efforts or exercise any voting rights in the New Entity Corporation;

(d) They shall execute any and all documents necessary for the implementation of this Agreement;

(e) They shall bear their own attorneys fees and expenses

(f) They shall promote the terms and spirit of this Agreement and encourage full cooperation of all interested persons, including the remaining residents and owners of property in the Star of the Sea Development;

(g) They shall promote cooperation between the parties and Union Planters Bank of Hardy, Arkansas and others in achieving the desire of the Plaintiffs/Intervenors to retrieve ownership rights in the Retreat area;

(h) Pearson shall sign a written statement of apology and

a written endorsement of the terms of settlement, a copy of which is attached as Exhibit "J" which Plaintiffs/Intervenors are hereby authorized to use in their organization efforts for the New Entity Corporation;; and,

(i) Other than the execution of this Agreement and the performance of their obligations hereunder, the corporate Pearson Entities shall not conduct any other business and shall promptly act to wind up their business activities. The parties agree that all corporate Pearson Entities shall be dissolved, and the Pearson Entities agree to commence dissolution efforts within thirty (30) days after the Closing Date and to complete them by October 1, 2003, to the extent they have the power to do so.

6. Release by O'Brien

O'Brien, who formerly was an employee and agent of the Pearson Entities operating Star of the Sea Development, currently has no relationship with those Entities. O'Brien hereby agrees to relinquish any and all rights or claims of any nature against the Pearson Entities, the Plaintiffs/Intervenors, and to the Transferred Assets, specifically including any employee contract rights to sixty (60) acres of land in the Star of the Sea Development that has not been specifically described or identified.

7 Warranties And Representations Of The Parties.

The following warranties and representations are made by the indicated parties:

(a) Transfers and encumbrances. To the best of Pearson Entities' knowledge since the commencement of the State Court Litigation and HUD Proceeding, they have made no (1) transfers, sales, or other disposition of land or other real property assets belonging to Star of the Sea Development or the Pearson Entities other than those itemized in paragraph 2(C) or those which have been specifically exempted from the lis pendens recorded in the real estate records of Sharp County, Arkansas, foreclosed upon by Union Planters Bank and Robert Clay or otherwise revealed to or known by the Plaintiffs/Intervenors or acknowledged in this Agreement; (2) liens or encumbrances placed on the assets, not already revealed to or known by the Plaintiffs/Intervenors (3) leases, contracts, or agreements of any kind or character or any financial or contractual liabilities incurred, not already revealed to or known by the Plaintiffs/Intervenors save and except those to which they are

presently committed and for which they shall continue to be liable; (4) payments or distributions to any of its officers, stockholders, or members, not already revealed to or known by the Plaintiffs/Intervenors (5) transfers, sales, or other disposition of any other assets belonging to Star of the Sea Development or the Pearson Entities, not already revealed to or known by the Plaintiffs/Intervenors or acknowledged in this Agreement.

(b) Litigation. Other than the State Court Litigation and the HUD Proceeding, and an inspection by the Arkansas Soil and Water Commission of the existing dam (of which Plaintiffs/Intervenors are fully aware) the Pearson Entities have no knowledge or notice of any action, suit, proceeding, arbitration or investigation pending or threatened against them, their agents or employees with respect to the Star of the Sea Development, and to the best of their knowledge, there are no other orders, writs, injunctions or decrees currently in force against them or their agents or employees with respect to the Transferred Assets that will impair the benefits of this Agreement that the Plaintiffs/Intervenors are not already aware of. Further, the Pearson Entities agree that any litigation commenced against Jim Baker will be dismissed with prejudice at Closing.

(c) Taxes. At or before Closing, the Pearson Entities shall pay any and all outstanding taxes accrued or outstanding through the Date of Closing on the Transferred Assets, including all real estate and personal property taxes, penalties, and interest (including penalties and interest and any other fees or expenses incurred should the property be certified to the State Land Commissioner) and prorated through the date of Closing on any of the Transferred Assets. They have filed or will file, for all periods up to and including the Closing Date, all federal, state and local tax returns required to be filed by them and paid or will pay all federal, state and local, and other income, profits, sales, use, property, excise, payroll, franchise and other taxes and assessments (including interest and penalties) relating to the Pearson Entities, or to the Transferred Assets which are or may become due and payable for all periods up to and including the Closing Date.

(d) Books and Records. Pearson Entities warrant that all books and records concerning any of the Transferred Assets shall be delivered at Closing to the New Entity Corporation or to its Trustee if the New Entity Corporation is not yet formed at or prior to the Closing.

(e) Accounts Receivable. To the best of Pearson's knowledge, all accounts receivable of the Pearson Entities are properly reflected on Exhibits "C" and "D" of this Agreement. Not all accounts receivable listed on the Exhibits are warranted to be collectible.

(f) Composition of Assets. To the best of the Pearson Entities' knowledge the Transferred Assets comprise all property and assets owned by the Pearson Entities and used in the operation of the Star of the Sea Development as further delineated in the respective exhibits and not otherwise excepted in the Agreement.

(g) Title to Personal Property. To the best of the Pearson Entities' knowledge, they have good title to all Personal Property included in the Transferred Assets, free and clear of all mortgages, liens, pledges, charges and encumbrances.

(h) Subsequent Distribution of Transferred Assets. Plaintiff/Intervenors represent and warrant that the Pearson Entities shall have no liability or responsibility with regard to the distribution or subsequent conveyance of the Transferred Assets by the Plaintiffs/Intervenors and/or the New Entity Corporation after the Closing.

(i) Good Faith in Expediting the Agreement. All parties warrant and agree that they will act in good faith to expedite all the requirements of this Agreement in as short a time frame as possible, including, but not limited to, the preparation of documents, approval of documents and exhibits to the documents, the delivery of completed documents to the Escrow Agent, appointing trustees and/or Designated Agents, and any acts related to or required for the implementation of any facet of this Agreement. Should the Pearson entities, or any of them, file a petition under Title 11 of the United State Code subsequent to the Closing and prior to the time that their post-closing undertakings or obligations are fully satisfied, they agree not to contest the attempt of any other party to obtain relief from the automatic stay.

8. Dismissal of Litigation

The Parties agree to dismiss with prejudice the State Court Litigation and the HUD Proceeding and to take no appeal from any actions described in this paragraph. Plaintiffs/Intervenors and the Pearson Entities who are parties to the State Court Litigation agree (and acknowledge that the Escrow Agent is authorized on their behalf) to submit to the Circuit Judge the

attached Exhibit "K" entitled Order of Dismissal of All Claims with Prejudice, which shall include the lifting of the present Lis Pendens, all contemporaneously with the Closing, and the parties hereby consent to the Order. On February 25, 2003, the parties filed a Joint Motion to Stay Proceedings and on February 27, 2003, the Administrative Law Judge entered an Order Staying Proceedings. This Order stayed the HUD proceeding indefinitely pending completion of settlement and directed the parties to file a proposed Consent Order by March 26, 2003, or a report on progress towards completion of settlement on that date and every thirty days until a Settlement Agreement has been approved. The parties agree that counsel for HUD is authorized to prepare and submit an appropriate pleading for approval by counsel for the parties, as soon as practicable after the execution of this Agreement, and to file it with the administrative law judge as required, contemporaneously with or immediately following the Closing, and the parties agree to fully cooperate.

9 Mutual Release.

In consideration of the covenants contained herein, the parties do hereby mutually release, acquit and forever discharge each other of and from any and all actions, causes of action, claims or demands, whether legal, equitable, regulatory or administrative, that it may now or hereafter have, including but not limited to any and all costs, expenses, compensation, property damages, losses, claims, complaints or damages of any and every kind or nature whatever, in any way arising from or connected with the allegations in the state Court Litigation and HUD Proceeding. The Parties agree not to pursue any further litigation against any opposing party arising out of either the State Court Litigation or the HUD Proceeding, except to enforce this Agreement or as otherwise provided for in this Agreement.

10 Enforcement

The parties acknowledge and agree that the breach of this agreement will result in irreparable and continuing damage to the non-breaching party or parties for which money damages would be an inadequate remedy. In the event of any such breach or threatened breach by any party hereto, the other party or parties shall be entitled to insist upon specific performance of this Agreement, and shall be entitled to preliminary and permanent injunctive relief in addition to any other available remedies for such breach or threatened breach. If, however, the breach of this Agreement results in a termination of this Agreement despite enforcement efforts by the non-breaching party, this Enforcement provision shall not limit or waive any

claim or cause of action that any party may have been entitled to in law or equity if this Agreement had not been entered into.

11. Survival of Covenants, Agreements, Representations and Warranties.

The covenants, agreements, representations and warranties of the parties contained in this Agreement shall survive the transfer of assets.

12. Clear Title Requirements.

All parties to this Agreement recognize the desirability of maintaining or obtaining a clear title to all real property included in Star of the Sea Development, whether or not said real property is included in this Agreement. Accordingly, all parties agree to execute, to the extent that they have the capacity to do so, any and all documents found by Sharp County Title Company to be necessary to clear title to any tract of land in Star of the Sea Development ("Title-Clearing Documents"), whether such requirement is established prior to or after the Closing. This paragraph refers only to the execution of a title-clearing document, and is not intended to impose on any party to this Agreement any additional obligations not otherwise already required by this Agreement.

Any party requesting such a Title-Clearing Document will pay the fees necessary for the document's preparation. If any Title Clearing Document is found to be required prior to Final Closing, all parties necessary for the document's effectiveness shall execute such document and deliver it to the Escrow Agent for recording at the Closing.

Execution of Documents.

The Parties agree to execute any and all documents required for the purpose of complying with their obligations under the terms of this Agreement.

Entire Agreement.

This Agreement constitutes the entire agreement among the parties hereto and may only be changed, modified, clarified or amended in writing signed by an authorized representative of each party.

15. Governing Law.

This Agreement shall be governed by, construed and enforced in accordance with the laws of the State of Arkansas and the rules, regulations, and statutes administered by HUD. Further, in the performance of their rights and obligations under the terms of this Settlement Agreement, all parties agree to comply with the rules, regulations and statutes administered by HUD. Accordingly, future lot sales made by Pearson and Kathy Pearson, or by the New Entity Corporation shall comply with the Interstate Land Sales Full Disclosure Act and its implementing regulations, unless the operation of the New Entity Corporation or the sales are exempt.

16. Construction.

This Agreement is a negotiated agreement and every provision hereof shall be construed, as though all parties participated equally in the drafting hereof. Any legal rule of construction that a document is to be construed against the drafting party shall not be applicable and is expressly waived.

17. Signatures on Duplicate Originals.

In order to expedite the final execution of this Agreement, it is agreed by all parties that a signature on any duplicate original of this Agreement has the same force and effect as if that signature was placed on a single original Agreement signed by all parties to this Agreement.

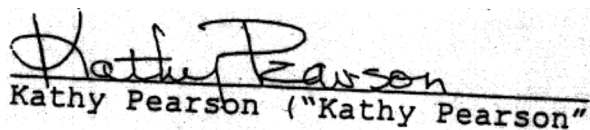
18. Successors and Assigns

This Agreement shall be binding upon and inure to the benefit of each of the Parties hereto and their respective heirs, executors, administrators, legal representatives, successors and assigns.

IN WITNESS WHEREOF, the parties have executed this Agreement on the dates shown below.

PEARSON ENTITIES:


Robert J. Pearson ("Pearson")


Kathy Pearson ("Kathy Pearson")


7-19-03

7-19-03
Date

RKP Corporation, formerly
Star of the Sea Corporation "RKP"


By: 
Robert J. Pearson, President

ATTEST:


Secretary

7-19-03
Date

Star of the Sea, Inc
("SOS")

By: 
Robert J. Pearson, President

ATTEST:

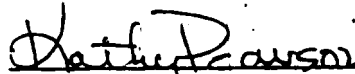

Secretary

7-19-03
Date

White Rose Institute, Inc
("White Rose")

By: 
Robert J. Pearson, President

ATTEST:


Secretary

7-19-03
Date

Star of the Sea Respect Life
Apostolate, Inc.
("SOSRLA")

By: 
Robert J. Pearson, President

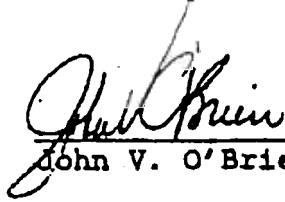
ATTEST:



7-19-03

Secretary

Date


John V. O'Brien ("O'Brien")

7-21-03

Date

WITNESS:

Tom Garner
Attorney at Law
P. O. Box 10
Glencoe, AR 72539

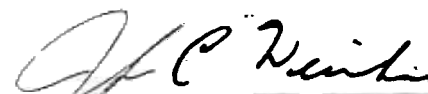
Date

Attorney for Pearson Entities

HUD

United States Department of
Housing and Urban Development
("HUD")

By:

 8-20-03
John C. Weicher
Asst. Secretary for Housing-
Federal Housing Commissioner.
United States Department of
Housing and Urban Development
HUD Building
Washington, D.C. 20410-8000

WITNESS:

Samuel B. Rothman
Yvonne D. Jones
Attorney, Office of General Counsel
United States Department of Housing and Urban Development
451 7th Street, SW., Suite 9253
Washington, D.C. 20410-8000

Date

Attorneys for HUD